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[This report, taken from the Ching-chi Hsueh Chiang-hua (Lectures on Economics), a monograph written by Ti Chao-pai, gives definitions and explanations of certain economic principles to be followed in putting the economy of the New Democracy into effect. Included are the characteristics of commodities, money, enterprises, capital, expanded production, profits, prices, loans, and credit.]

3. Commodities produced under the New Democracy: This type differs from the other two in that the commodities are produced to serve as an instrument in building the economy of the New Democracy, to accelerate the production and distribution processes, and to develop the productive capacity of the society.

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The New Democracy represents the transition from a semicolonial and semifeudal society to a socialistic society; thus, the nature of the commodities produced under this system cannot be considered socialistic. Goods produced during the early stages of the New Democracy must vary in number and in nature. Because the people themselves direct the production, it is necessary to permit the existence of small commercial and capitalist methods. Under the capitalist society, the people are dictated by the laws of the movement of goods; under the New Democratic society, the people control the movement of goods. This, then, is the most significant basic change of the society which permits goods produced under the New Democracy to remain free from many of the contradictions which existed in the capitalist society.

Characteristics of Money in the Chinese Society

In the Chinese society money serves as a measure of value, standard of value, medium of exchange, storehouse /method of saving/, and for payment of value.

In the cities, money has retained all the characteristics of the capitalistic society. For example, the city inhabitants worship money; capitalists exploit the workers for money; laborers disregard their health to work for money; and the small entrepreneurs waste their time and effort in hopeless dreams of money. Furthermore, money is aimlessly issued, circulated, paid, and collected.

The financial standard in the villages is measured in terms of "the amount of grain," not in "the amount of money." Therefore, the dispute between the tenant farmers and the landlords lies in the amount of rent, not in the amount of wages. In 1941, inflation appeared in the villages, disrupting the functions of money, which became more and more unstable. Consequently, production and circulation became more and more confused, resulting in the complete collapse of the monetary functions. In this type of simple commercial society, the medium of exchange function is the primary one; the functions of storage and payment become secondary. Therefore, new financial institutions have not yet been developed in the villages. Because of this, the position of the villages is relatively weaker than that of the cities.

Under the New Democracy, the fundamental functions of money are not to weaken, but to develop, the productive capacity of the society and to carry out the aims of socialism.

Characteristics of Enterprises in the Chinese Society

Semifeudal and imperialistic exploitation must be abolished under the New Democracy, so that the productive capacity can be raised and an independent national economy established. To do away with feudal exploitation, the farmers, not the landlords, must control the land; to do away with imperialistic exploitation, special rights of the imperialists in China must be abolished. After these two forms of exploitation are abolished, the production of goods under the New Democracy may be assumed by the following groups:

1. State enterprises: State enterprises include the basic mining industry, the national defense industry, the banks, transportation and communication enterprises, etc., all of which will be under state control. They can lead our present economy along the path to a socialist economy. Since the means of production are controlled by the state, the workers of these industries will not be exploited.

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2. Cooperative enterprises: Cooperative enterprises are organized by the various small entrepreneurs under a cooperative management. Each entrepreneur is to retain his own means of production, and each is to contribute his time and effort to the operation of the cooperative. This system is free from feudal and capitalistic fleecing.

3. Small independent producers: These small producers are now engaged in agricultural and industrial fields. They are devoting their labor to production and employing their own means of production; therefore, they are free from the fleecing of the privileged groups. They have fallen behind, however, in the techniques of production since they are operating on a small scale and are now finding that they cannot compete with the productivity of the state, the cooperative, and the capitalist enterprises. The only alternative open to these small producers in the future is to turn to cooperative enterprise.

4. Capitalist enterprises: Not only will capitalist enterprises be allowed to exist under the New Democracy, but they will be permitted to develop because the obstacles present in feudalism and imperialism will have been removed. Under this new system, their profits will be reasonably controlled and laborers will be given a relatively higher real wage. These enterprises will be directed toward the development of light industries. The capitalist enterprises will no longer be allowed to maintain a dominating position in our economy, nor will they be permitted to fleece the laborers ruthlessly through legal and administrative means.

Of the four production methods, only the last retains the surplus value feature. The capitalist enterprise can be eliminated only when the productive capacity of society is greatly increased and when state and cooperative enterprises are placed in an absolutely favorable position.

Characteristics of Capital Accumulation and Expanded Production Under the New Democracy

Under the economic system of the New Democracy, the accumulation of wealth and expanded production, the foremost economic problems of the people, are not identical. The wealth of high officials and capitalists should be taken over and put to use as capital in public enterprises. The sources or types of such capital are immaterial, provided it is used properly in the interest of national construction.

Actually, the source of capital for the new economic construction will be found in the pooling of all capital in the present society and in the earmarking of this capital to appropriate uses. After the elimination of feudalistic and imperialistic exploitation within the nation, capitalistic development will be expanded accordingly. In the meantime, state enterprises, cooperative enterprises, and other productive units will also be expanded. Types of capital for expanded production are as follows:

1. Expanded production of state enterprises: There is an element of socialism in this type of enterprise production. Here, reward for exploitation of surplus value will be entirely eliminated. In this type of enterprise, workers will have reached the primary stage where the theory "to each according to his ability and worth" is applied. There is a degree of difference, however, between this type of enterprise [at present, and that] in a socialistic state: (a) This type must rely on the exchange of

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products among the various types of enterprises before going into expanded production. (b) Under the New Democratic economic structure, it is only a directing factor, and is not yet able to become a determining factor in production.

2. Expanded production of capitalistic enterprises: Expanded production, under the New Democratic system, may cause capitalistic production to occupy only a secondary position which may further cause an alteration in the original principle and, at the same time, cause the adoption of a new set of principles. These are: (a) Surplus value exploitation must be reduced proportionately. Thus, theoretically, this expanded production must advance at a less rapid pace than the old capitalistic expanded production. (b) Under the New Democracy, the purchasing power of society cannot be determined solely by the variable amount of capital set aside for expanded production. It must be determined in combination with salary earned by workers in other types of enterprises. (c) The future of expanded production will be affected and controlled by the production plan of the entire society; therefore, it cannot expand blindly and selfishly. (d) For these three reasons, capitalistic production within a New Democratic society cannot lead to large-scale economic crises. Naturally, individual cases of conflict between production and consumption cannot be avoided.

3. Expanded production of cooperative enterprises: Expanded production of cooperative enterprises will be more rapid than that of the small independent producers. Consider, for example, that ten small producers have organized into a cooperative enterprise, while another ten producers continue to produce independently. Both are alike in men, capital, and manpower, but when it comes to producing, the former is of much greater value than the latter. The reasons for this are: (a) Since the capital of a cooperative enterprise is concentrated, modern machines can be purchased. Since the capital of the independent producers is divided among ten units, new machines are not within reach and thus the ability to produce is not as great as that of the cooperative. (b) Cooperative enterprises using new-type machines can put into practice the division of labor, thus raising production standards. With production on an individual basis, however, no division of labor can be made. (c) A cooperative enterprise can buy raw material in large quantities and then sell by lots. This lowers the cost involved in the buying and selling process.

Within a cooperative enterprise, since the workers exercise the production power, excess costs may be eliminated. There is a great difference between this and capitalistic enterprise. However, production power still rests with the individual. The degree of expanded production depends not only on the value of the previous production but also on the wishes of the individuals within the enterprise. It is also affected by the amount of bonus workers receive from profits, by increases in salaries, and other factors. This is an important difference from the expanded production of a state enterprise.

4. Expanded production of small independent producers: Small independent producers must contribute to expanded production. This has become very difficult because small independent producers own only simple production equipment and operate under various handicaps. Therefore, they have only been able to engage in simple production. Expansion is limited by the factor of manpower. Once the independent producer starts to employ workers, he must begin to exploit other people. Then, he can only perform supervisory duties and will not have time to participate in

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productive work. Thus, this becomes a kind of capitalist enterprise. There are not many in this category. Because of continuous competition among large enterprises, a majority of the small producers are eliminated. They have only one alternative, to join a cooperative enterprise.

Capitalistic enterprise led by state enterprise and small producers led by cooperative enterprise are ways to achieve an expanded production of the New Democratic society. When the production of state enterprise and cooperative enterprise develops to the point where they can become determining factors, the production power of these two types of enterprises can supply the basic needs of society.

Characteristics of Profits and Prices in the Chinese Society

1. Profits under the New Democracy: The amount of profit in a capitalist society is determined by the amount of surplus value, and the average profit rate is determined by the operation of the market. The capitalist class hereafter cannot exploit labor whenever it desires, nor can it do so through manipulations of the market. It must act in conformity with the national economic plan and social legislation. Generally speaking, the average profit rate is lower than that of capitalist countries, but profits are more secure because there is no danger of an immediate economic crisis and because production and consumption are properly coordinated. Since the capitalist enterprises in China are free from imperialistic and feudalistic oppression under the New Democracy, they will be much better off than before.

The profit rate of the state enterprises is lower than that of the capitalist enterprises. But because the laborers are aware of the fact that the state owns the means of production and that they themselves are the owners, they will put more effort into production. Consequently, the raising of the productive capacity and the speeding up of capital circulation make it possible for the state enterprises to get more profit than the capitalist enterprises. Furthermore, the profits of the state enterprises belong to the laborers, not the capitalists. These profits are used to expand production and to develop the various state enterprises.

2. Prices under the New Democracy: The price standard under the New Democracy is determined by the productivity of the various production methods. During the initial stage, a majority of the commodity needs of the society are supplied by capitalistic enterprises and small entrepreneurs. The present state and cooperative enterprises fear that they cannot supply the majority of goods during the initial stage of the New Democracy. However, the state enterprises are more productive than the private enterprises; the cooperative enterprises are more productive than the individual enterprises. Therefore, the cost of production of state enterprises is lower than that of private enterprises, and the cost of production of cooperative enterprises is lower than that of individual enterprises. After the expansion and development of the state and cooperative enterprises, the control of market prices will be shifted from the capitalists and entrepreneurs to the state and cooperative enterprises. At the time when the prices of goods produced by the capitalist enterprises and the small entrepreneurs inevitably fall below cost, their only alternative then will be to join the cooperative and state enterprises.

Characteristics of Loans and Credit in the Chinese Society

The three types of loan funds existing in the Chinese society are imperialistic loan funds, various private and public loan funds of the domestic banks, and feudalistic usurious funds.

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The primary aim of imperialistic loans was political and therefore, by and large, did not help our economic production. The funds for public and private loans by the domestic banks were derived either from the fleecing of the masses by the Chinese bureaucrats, militarists, and compradors, or from the exploitation of the feudal landlords. Through the feudalistic usurious funds, small farmers and tenant farmers were cruelly fleeced. Moreover, small entrepreneurs in the cities had to resort even to money brokers and usurers whose interest rates were several times higher than those of the banks.

In building our national economy under the New Democracy, foreign loans may still be necessary. However, they are acceptable only when they are offered on the basis of equality and mutual benefit, and if they do not endanger our sovereignty. These loans should be used to develop production and to accelerate trade.

Capital loan funds of domestic banks must be used for the development of legitimate business. Under the New Democracy, since the bureaucrats, militarists, landlords, and compradors have been deprived of the sources for obtaining capital to exploit the people, the people's standard of living has improved, the national economy has expanded, and wages are raised. As a result, circulating capital is being funneled into the banks and made available to the various industries. The trend and the amount of investment will be guided by the economic plan of the New Democracy; therefore, the important banks must be controlled by the state.

Under the New Democracy, interest is still a part of surplus value which still belongs to the lenders. Since banks are controlled by the state, credit and profits do not flow into private hands, but are used for economic construction. Only when the landlord class is eliminated and the various industries prosperously developed will usury be abolished; and only when usury is eliminated can circulating capital be channeled into the credit institutions (the banks).

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